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Retail Sales Tax Branch

Information Bulletin

Retail Sales Tax Act

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ONTARIO BUDGET 1986

This bulletin summarizes changes to the Retail Sales Tax Act proposed by the Treasurer of Ontario in the May 13, 1986, Ontario Budget.

The changes have now become law and, unless specifically noted, are effective from January 17, 1987.

The information presented in this bulletin is intended as notification to vendors and taxpayers. For more specific details of the changes please refer to the Retail Sales Tax Act and Regulations.

BUDGET HIGHLIGHTS

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BUDGET ITEMS

PREPARED FOOD PRODUCTS - EXEMPTION THRESHOLD RAISED TO \$2.00

Retail sales tax does not apply to prepared food products purchased for a **total charge of \$2.00 or less** from an eating establishment. Where the total charge is more than \$2.00, tax applies at the rate of 7% to the full amount of the charge.

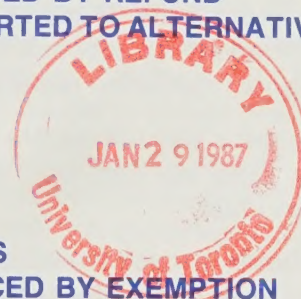
A vendor cannot average the total charge for a transaction among the number of persons in a group in order to avoid collecting tax. Tax applies to the full amount of the charge for a group transaction that totals more than \$2.00.

Prepared food products include meals, lunches, food products sold hot; and other arrangements of food sold by eating establishments for consumption on or off the premises. They also include non-alcoholic beverages such as tea, coffee, milk or juice, but not soft drinks.

Soft drinks are taxable except when sold **with prepared food products as part of one transaction for a total charge of \$2.00 or less**. Where soft drinks are sold with prepared food products as part of one transaction for a total charge of more than \$2.00, tax applies to the full amount of the transaction.

A number of items are not prepared food products but snack foods. All snack foods are taxable regardless of where sold unless the total charge is less than 21 cents. Examples of snack foods are potato chips, corn chips, pretzels, popcorn, salted nuts, salted seeds, granola bars, puffs however flavoured and ice cream products in pre-packaged individual portions. Hand scooped or machine dispensed ice cream, ice milk, sherbet, frozen yogurt or frozen custard is a prepared food product and is tax-exempt if sold for \$2.00 or less.

Candies and confections remain taxable unless sold for less than 21 cents.





HIGHWAY TRUCK-TRACTORS, TRUCKS AND TRAILERS – EXEMPTION REMOVED

Effective December 31, 1986, the retail sales tax exemption expired for:

- highway truck-tractors with a gross vehicle mass rating of 11,778 kilograms or more; and,
- highway trucks, truck-trailers, tractor-trailers and semi-trailers with a gross vehicle mass rating of 11,778 kilograms or more that are designed to carry goods or freight.

These vehicles will be subject to 7% retail sales tax if delivered to the purchaser **after December 31, 1986**, regardless of the date of the sales contract.

Tax will also apply on lease or rental payments due and payable **after December 31, 1986**, even though a portion of the charge might cover a period before the exemption expired.



VEHICLES POWERED BY ALTERNATIVE FUELS – EXEMPTION REPLACED BY REFUND

A refund program replaces the exemption that expires January 16, 1987 for vehicles purchased to operate on an alternative fuel.

Effective January 17, 1987, refunds are available to the purchasers of motor vehicles that are powered **exclusively** by propane or other manufactured gas, ethanol, methanol, natural gas or electricity.

The tax is also refundable on vehicles that use alternative fuels but can also be powered by gasoline or diesel fuel.

Refunds are not available on vehicles that use a mixture of an alternative fuel and gasoline or diesel fuel.

The maximum refund under this new program is \$750 for propane fuelled vehicles and \$1,000 for all other alternatively fuelled vehicles, except as described below.

A purchaser will still be able to obtain full refund of the tax paid if the vehicle can be registered as a bus under the Ontario Highway Traffic Act.

Refund applications must be made within three years of the date the tax was paid. Forms are available at local Retail Sales Tax Offices.



EXEMPTION ON CONVERSION KITS AND REFUND ON VEHICLES CONVERTED TO ALTERNATIVE FUELS – PROGRAMS MODIFIED

The exemption from retail sales tax for conversion kits has been withdrawn. Tax relief on these kits will now be provided under the program for refund of retail sales tax on vehicles converted to operate on alternative fuels. This latter program has itself been modified; there are changes to the amount of refund and the period allowed for conversion.

Effective January 17, 1987, purchasers can obtain refunds if they:

- enter into contracts for conversion of their vehicles within 30 days of purchase; and
- have the conversion completed within 90 days of purchase.

The maximum refund is \$750 for propane fuelled vehicles and \$1,000 for vehicles powered by any other alternative fuel.

The dollar limits above do not apply if the vehicle can be registered as a bus under the Ontario Highway Traffic Act. Purchasers of such vehicles may obtain **full refund** of the tax paid.

Special rules apply to vehicles bought during the 29 day period from December 19, 1986 to January 16, 1987. The tax paid on these vehicles will be **refunded in full** provided that:

- the purchaser enters into a contract for conversion within 30 days of purchase; and,
- the conversion to an alternative fuel vehicle is completed within 90 days of purchase.

Purchasers who, more than 30 days after purchase, contract to convert their vehicles to run on alternative fuel, or whose conversions are completed outside the stipulated 90 days, are not entitled to refund of the tax paid on their vehicles. They may, however, obtain refund of the tax on conversion kits and installation labour. This change is effective January 17, 1987.

Refund applications must be made within three years of the date the tax was paid. Forms can be obtained at local Retail Sales Tax Offices.

NON-BUDGET ITEMS



CROSS BORDER SALES

Businesses that sell goods in Ontario are subject to the Ontario Retail Sales Tax Act and must collect tax on sales of taxable goods.

Many vendors selling goods in Ontario also have stores in other jurisdictions. When customers order goods at these locations outside Ontario for delivery to an Ontario address, Ontario sales tax should be collected by the vendor. This applies whether the goods are transported by the vendor or shipment is by others under an arrangement with the vendor.

A vendor is not responsible for collecting Ontario sales tax on transactions where an **Ontario resident takes possession** of goods at the vendor's store outside Ontario. The same rule applies if the customer arranges with someone else to receive and transport such goods to an Ontario address. In these cases the Ontario resident is responsible for paying Ontario retail sales tax.

Vendors who do not collect Ontario sales tax where required will be liable for a penalty equal to the amount of tax that should have been collected.



RETAIL SALES TAX RETURNS – FILING ON TIME

Retail Sales Tax legislation stipulates returns are due on or before the twenty-third day of the month following the end of the collection period. This **due date** appears on every return card.

Returns and the tax collectable in the return period must reach the Ministry no later than the due date.

This means:

- paid at any financial institution in Ontario where the vendor maintains a bank account. There is no charge to vendors for this "tax banking" service;
- mailed in advance to arrive at the Ministry **on or before the due date**; cheques may be postdated to the due date; or,
- hand delivered at any local Retail Sales Tax office.

Vendors who file late returns or remit less than the tax collectable are subject to penalties and the loss of their compensation.



ADVERTISING AND SALES PROMOTIONS – VENDOR RESPONSIBILITIES

In Ontario, the purchasers of tangible personal property are required to pay retail sales tax at the time of purchase. Vendors must observe this principle in their advertising, billing and invoicing.

Vendors **cannot** advertise that they will:

- pay the sales tax on behalf of their customers; or,
- write cheques to their customers for sales tax paid on purchases, or otherwise offer tax refunds as sales incentives.

Tax is due on the price displayed or advertised. Any message suggesting that the vendor will absorb the tax is a breach of the Retail Sales Tax Act.



FARM GRAIN STORAGE BINS & DRYERS – REFUND PROGRAM REPLACED BY EXEMPTION

The refund to farmers for retail sales tax paid on grain storage bins and grain dryers has been replaced by an exemption.

Farmers may purchase exempt from tax materials to construct grain storage bins or grain dryers. To obtain the exemption they must provide purchase exemption certificates to their suppliers.

Holders of the booklet "Information for Farmers" should annotate page 3 to reflect this revision.

Contractors who erect these structures for farmers may also purchase the materials exempt from tax. They must provide their suppliers with purchase exemption certificates stating that the materials are for the construction of grain storage bins or grain dryers.

This exemption does not apply to repair materials or to materials used in footings and foundations, barns, greenhouses, silos or similar types of buildings.



UNIVERSITY RESEARCH EQUIPMENT – REFUND PROGRAM REPLACED BY EXEMPTION

The refund to universities for retail sales tax on the purchase or repair of equipment **designed and used exclusively** for research has been replaced by an exemption.

Universities may now issue a purchase exemption certificate to their suppliers when purchasing or repairing such equipment. The certificate should state that the equipment will be used exclusively in research or investigation.

This exemption, like the former refund, does not apply to equipment used for classroom instruction or to equipment used for research as well as classroom instruction.



PRICE OF ADMISSION TO A PLACE OF AMUSEMENT – EXEMPTIONS MODIFIED

Admission prices over \$4.00 to places of amusement are taxable at 10%.

Admission prices of \$4.00 or less are exempt. Recent amendments to the Retail Sales Tax Act also exempt admissions at any price to places of amusement where no performer receives remuneration of any kind. In addition, **theatrical and musical performances** will be exempt from tax if 90% or more of all performers are permanent residents of Canada.

The legislation has exempted certain sponsors from collecting tax on their admission prices over \$4.00. The amendments now restrict the sponsors who may benefit from this exemption to:

- registered charities;
- trade unions, fraternal or benevolent societies;
- registered Canadian amateur athletic associations;
- educational institutions;
- organizations that are substantially funded by the Province of Ontario (qualifying organizations are listed in Schedule 1 to Regulation 903); and,
- agricultural societies operating a place of amusement **during an agricultural fair**. This provision does not extend to sporting events. Admission to sporting events remains taxable at 10% during agricultural fairs.

Clubs, societies, boards of trade and other non-profit organizations that formerly enjoyed the benefit of this exemption may still sponsor events without charging tax on admission prices **provided that the performances meet one of the new criteria**, for example Canadian content for theatrical and musical performances. Otherwise, these sponsors must now charge sales tax at 10% on admission prices to places of amusement, including dances where liquor, wine or beer is served.

LOCAL RETAIL SALES TAX OFFICES WHERE INFORMATION IS AVAILABLE:

OFFICE LOCATION	PHONE	AREA SERVED
BELLEVILLE 191 Dundas St. East K8N 1E2	962-9108 Zenith 37100	Counties: Haliburton, Hastings, Northumberland, Peterborough, Prince Edward
HAMILTON 119 King St. West P.O. Box 2112 L8N 3Z9	521-7504 Toll Free (519, 416) Areas: 1-800-263-9229 Toll Free (416) Area: 1-800-263-9238	County: Brant Regional Municipalities: Haldimand - Norfolk Hamilton - Wentworth Niagara
KITCHENER 449 Belmont Ave. West N2M 1N2	576-8400 Toll Free (519) Area: 1-800-265-8700 Toll Free (705, 416) Areas: 1-800-265-2303	Counties: Bruce, Dufferin, Grey, Huron, Perth, Wellington Regional Municipality: Waterloo
LONDON 310 Wellington Rd. South N6C 4P4	433-3901 Toll Free: 1-800-265-1540	Counties: Elgin, Lambton, Middlesex, Oxford
NORTH BAY 1500 Fisher Street Northgate Plaza P1B 2H3	474-4900 Toll Free (705) Area: 1-800-461-1564	Districts: Cochrane, Nipissing, Parry Sound, Timiskaming
ORILLIA Westway Mall 438 West St. North L3V 5E8	325-9587 Zenith 37100	County: Simcoe District Municipality: Muskoka Regional Municipality: York
OSHAWA 33 King St. West P.O. Box 629 L1H 8K1	433-6240 Zenith 37100	County: Victoria Regional Municipality: Durham
OTTAWA 1355 Bank Street K1H 8K7	523-9760 Toll Free: 1-800-267-9745	Counties: Frontenac, Grenville, Lanark, Leeds, Lennox and Addington, Prescott, Renfrew, Russell, Stormont Dundas and Glengarry Regional Municipality: Ottawa - Carleton
PEEL 2 Robert Speck Parkway Suite 350 Mississauga L4Z 1H8	273-9490 Toll Free: 1-800-268-2968	Regional Municipalities: Halton, Peel
SUDBURY Ontario Government Bldg. 199 Larch Street P3E 5P9	675-4351 Toll Free: 1-800-461-1564	Districts: Algoma, Manitoulin, Sudbury Regional Municipality: Sudbury
THUNDER BAY Ontario Government Bldg. 435 James St. South P.O. Box 5000 P7C 5G6	475-1681 Toll Free: 1-800-465-5025	Districts: Kenora, Rainy River, Thunder Bay
TORONTO 2300 Yonge Street M4P 1H6	487-1361 Toll Free: 1-800-268-8852	Regional Municipalities: Metropolitan Toronto York
WINDSOR Ontario Government Bldg. 250 Windsor Avenue N9A 6V9	252-4404 Toll Free: 1-800-265-1540	Counties: Essex, Kent